Alberta

GAS ROYALTY OPERATIONS INFORMATION BULLETIN

Petroleum Plaza – North Tower
7th Floor, 9945 – 108 Street
Edmonton, Alberta T5K 2G6
Canada
www.alberta.ca

April 2017

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PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT

ANNOUNCEMENTS

Soldier Settlement Gas (SSG) Reconciliation of Payments

The Department of Energy is undertaking a reconciliation of submitted payments from April 2010 onward. Any information submitted to the department is subject to a comparison of a submitted payment against the department calculated expected payment using the monthly reference prices of gas and gas products. There may be contact from the Management Information team for additional information to assist in the reconciliation of SSG leases.

If you have any questions please contact Management Information at ManagementInformation.Energy@gov.ab.ca.

MONTHLY INFORMATION

Re-Allocation of Assigned Volumes (RMF2s)

As per the *Alberta Natural Gas Royalty Guidelines (2009)*, Chapter III, Section 2.2.1, Royalty clients may submit an RMF2 form if they wish to reassign all or part of their Crown and/or freehold volumes of gas and gas products allocated to well events, well groups, units, or injection schemes. The RMF2 Listing report identifies the royalty clients' active RMF2s currently in our system as well as the date that the form was last used to re-assign volumes.

Royalty Clients should review their RMF2 reports issued each month, and are requested to submit termination dates for those RMF2s that are no longer required. The number of unused documents continues to increase. Part 3.4 of the RMF2 form requires a Termination Date be completed and it should be defined for a reasonable timeframe. The RMF2 is not intended for the facilitation of sales activity between clients. In those instances, the OAF can be changed in order to facilitate a smooth transition of responsibility for the production volumes. As a reminder, the department will require definite termination dates applied to each form (Part 3.4). If the termination date is not on the form, it will be returned to the submitter. The Department expects that this will reduce the number of obsolete documents in our system.

If you require any additional information please contact VCR at VCR@gov.ab.ca.

Pricing for Gas and Gas Products

For pricing on gas, gas products, and transportation information for February 2017, please refer to the Information Letter.

The monthly default sulphur price for **February 2017** is **$39.11.** Below are the annual sulphur default prices:

2012	2013	2014	2015
$95.61	$51.02	$82.94	$101.09

February 2017 Royalty Due May 31, 2017

Royalty clients are to remit the total amount payable shown on the May 2017 Statement of Account by May 31, 2017. If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided. Current period interest will not be charged on current invoice charges for the production month of February if it is paid in full by May 31, 2017.

The May 2017 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your February 2017 invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.

Note: If the due date falls on a non-business day, the next business day will apply as the due date *except for the month of March due to the Government of Alberta's fiscal year end.* In this situation, the due date will apply previous to the non-business day as the due date.

Cheques are made payable to the Government of Alberta and must contain the G94 account number as reflected on the Statement of Account.

March 2017 VA4 due May 15, 2017

The VA4 forms for the production month of March 2017 are due in the department offices by May 15, 2017.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

Petrinex Deadline Submissions

The Petrinex deadline for SAF, OAF, and Volumetric submissions are posted on the Petrinex website "Reporting Calendars" under Calendars. ***Changes to this calendar will be posted on the Petrinex website home page in "Broadcast Messages."***

Interest Rate April 2017

Alberta Energy's interest rate for April 2017 is **3.70%**

January Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the January 2017 billing period was:

First Time Provisional Assessment	Reversals of Provisional Assessments (Net)	Net Provisional Assessment
$356,735.34	($1,054,286.67)	($697,551.33)

January Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the January 2017 billing period.

Forms	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2016/12
AC2	$64,200	($49,800)	$14,400
AC5	$0	$0	$0
NGL*	$0	$0	$0
VA3	$0	$0	$0
VA4	$100	$0	$100
Total	**$64,300**	($49,800)	**$14,500**

* NGL Price Reporting

Production Allocation Discrepancy (PAD) Potential Royalty Impact

As of the January 2017 billing period, the potential royalty dollar impact is estimated as $3.9 million, distributed as follows by production year:

2016	2017
$2.4 million	$1.5 million

NOTE: These values are not intended to show that Crown royalty has been understated but do illustrate the consequences of incorrect reporting.

Well Event Measured Depth Determination Letter

The department has issued a "Well Event Measured Depth Determination Letter" under the Report Package DOE – Gas to facility operators via Petrinex on April 3, 2017 and April 18, 2017. This letter shows the confirmed Measured Depth (MD) of each active well event that will be used to calculate the Depth Factor (DF) of the quantity component rate under the Alberta Royalty Framework formula. A well event that is not listed on the letter and does not have a confirmed MD will receive a DF of 1. When the changes to the MD are confirmed by the department, a letter is issued to a facility operator who reports changes through Petrinex to a well event attributes affecting MD. All changes to the MD are applied on a go forward basis only. Facility operators are advised to submit well event attribute changes by the last day of the calendar month in order for timely determination of MD.

NGDDP Confidential Wells

Wells designated as "confidential" will be reviewed prior to the removal of the "confidential" status, if the directional surveys and completion reports are provided to the department. Send directional surveys and completion reports to GasRoyaltyPrograms@gov.ab.ca

If you have any questions, please contact Marilyn Wieliczko in Gas Royalty Features at 780-422-9270.

INFRASTRUCTURE DATA

Business Associate ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, and includes Working Interest Owner (WIO) role start/end dates.

This report is also published daily on the Petrinex website.

The Department reminds Business Associates to review their WIO role to ensure that the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role, then that BA can receive SAF/OAF allocations from the WIO role start date forward.
- If a BA has a WIO role with an end date, then they can only receive SAF/OAF allocations from the WIO role start date until the end date. Any SAF/OAF allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry/Crown Land Data at 780-422-1395 or CrownLandDataSupport@gov.ab.ca if you have any questions regarding the information supplied in this article.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client status changes, names, or IDs, please contact Client Registry/Crown Land Data at 780-422-1395 or CrownLandDataSupport@gov.ab.ca.

Nova Tolls - Multiple Gas Reference Prices

Royalty information related to the implementation of the Factor Model negotiated with industry for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under Facility Royalty Trigger Factors and Meter Station Ties.

REMINDERS

New and Revised Meter Station Factors

The department has published in Information Letter 2017-10, new and revised Meter Station Factors. Meter Station Factors for new meter stations are identified in **Schedule B** and are effective for the production periods January to December 2016. Meter Station Factors identified in **Schedule A** are effective the January 2017 production period and subsequent production periods until otherwise changed.

If you have any questions, please contact Terry Rayne, Director, Pricing and Analysis at 403-297-5467 or e-mail at terry.rayne@gov.ab.ca.

Monthly Sulphur Corporate Average Price Calculation – VA4 Form

The department requires royalty clients with an annual sulphur production of 30,000 tonnes or greater in the 2016 production year to file VA4 forms monthly, beginning with the January 2017 production month. The VA4 form is due on or before the 15th day of the second month following the respective production month. A royalty client whose annual sulphur production is less than 30,000 tonnes may choose to file the VA4 forms monthly beginning with January's production month; however, if this choice is made, the client must file VA4 forms for the entire year. The department will use the VA4 forms to determine each client's monthly Sulphur Corporate Average Price (S-CAP) and the monthly sulphur default price. We calculate each month's sulphur default price as the weighted average unit value of all arm's length sales for all clients who filed VA4 forms for that month. The department will value and invoice the Crown royalty share of sulphur production monthly using the respective S-CAP price for clients who file VA4 forms, and the sulphur default price for clients who chose not to file VA4 forms. The VA4 form is subject to $100 in late filing penalties for each month or part of the month the form is past due. The VA4 form for the production month of January 2017 is due in the department by March 15, 2017.

Royalty clients who file monthly VA4 forms must file annual VA3 forms. The VA3 form remains the primary sulphur valuation tool and the S-CAP determined from each VA3 will replace the entire year's monthly prices determined from the VA4 forms. The VA3 is due on or before April 15th of the year following the year of production. Interest is charged/paid on the Crown royalty difference when adjusting from monthly to annual valuation. The VA3 form is subject to a one-time $1,000 late filing penalty.

The following royalty clients must submit VA4 forms effective with the 2017 production year, which includes any pricing information for each of its consolidated/amalgamated entities:

Client ID	Client Name	Client ID	Client Name
0JL8	Apache Canada Ltd.	A0A7	Nuvista Energy Ltd.
0HE9	Canadian Natural Resources Limited	A5R5	Pengrowth Energy Corporation
A68P	CQ Energy Canada Resources Partnership	A2F0	Shell Canada Energy
0026	Encana Corporation	A6GD	Sinopec Daylight Energy Ltd.
0Z0H	Harvest Operations Corp.	A2TG	TAQA North Ltd.
0R46	Husky Oil Operations Limited		

For questions and further information, please contact the Pricing & Analysis Team at GasValuation.Energy@gov.ab.ca, 403-297-5467 or 403-297-5427.

Modernized Royalty Framework (MRF) Migration

The **Modernized Royalty Framework (MRF)** migration is scheduled to commence at 4:30 pm on March 2, 2017 and expected to be completed by March 6, 2017. During this migration period of March 2 to 6, 2017 inclusive, **NO** files of any kind submitted by Industry through Petrinex will be processed. All incoming files from Petrinex will be held for processing until such time the MRF Migration and backups are completed on March 6, 2017.

Control Assurance Audit on Raw Gas Allocation (RGA) Submissions

In order to properly calculate and assess royalty, Gas Royalty Operations must ensure that correct and accurate submissions are received from our royalty clients. These royalty clients are identified to the Crown through owner allocation factor (OAF) submissions or through the reassignment of volumes via the RMF2 submission. The RGA is a Crown submission used to identify the sellers and purchasers for in-network gas sales and is designed for royalty assessment purposes only. Please note the following information and clarification on reporting Alberta gas sales.

- All RGA submissions are subject to audit.
- All gas sales are deemed to occur at the outlet of the sales facility.
- For gas sales, the reported RGA in-stream components (ISCs) should reflect the ratio of any products processed out of the raw gas combined with the ISCs contained within the processed gas.
- If the gas is sold prior to processing at a recognized conventional gas plant within or outside of Alberta (British Columbia, Saskatchewan or Montana), the volumes are eligible to be assessed using the 80 percent gas reference price rule.
- The general rule is that the gas must be sold to valid unrelated parties (at arm's length) in order to be assessed as a gas sale. This is true for both processed and unprocessed gas. The exception to the rule is that if gas is disposed outside of Alberta and the purchaser does

not exist as a working interest owner on Petrinex and the Mineral Revenue Information System (MRIS). In these cases, the seller should contact the Gas Royalty Operations, Control Assurance team for direction on how to submit the RGA.

- When an RGA submission form is received by Gas Royalty Operations, a listed purchaser cannot also exist as a seller of gas for the same production entity in the same production period. Otherwise, there is an overstatement of volumes being assessed as gas sales when only the net sale volumes are eligible. In these situations, all RGA submissions containing these purchaser(s) will be deemed invalid sales submissions and the entire RGA will be ignored for royalty assessment purposes. The corrective action is to amend the RGA(s) to ensure that no royalty clients are listed as purchasers when they are also a seller.

Questions on RGA submissions can be forwarded to the Control Assurance team at ControlAssurance.Energy@gov.ab.ca

BUSINESS CONTACTS

Quick Reference

Group	Email
Petrinex Service Desk	Petrinexsupport@Petrinex.ca
Client Registry / Crown Land Data	CrownLandDataSupport@gov.ab.ca
Volumetric & Cost Reporting	VCR@gov.ab.ca
Management Information	ManagementInformation.Energy@gov.ab.ca
Gas Royalty Accounting	GasRoyaltyAccounts.Energy@gov.ab.ca
Gas Royalty Rapid Transit Payments	G94Deposit@gov.ab.ca
Gas Royalty Features	GasRoyaltyPrograms@gov.ab.ca
Freehold Mineral Tax	Mintax.Energy@gov.ab.ca

Petrinex Service Desk

The focal point for communications regarding preparations for, access to, or utilization of Petrinex is the Petrinex Service Desk, or Petrinex Support.

Phone: 403-297-6111 or 1-800-992-1144
Fax: 403-297-3665
Email: Petrinexsupport@Petrinex.ca
Website: www.Petrinex.ca

Volumetric & Cost Reporting

Volumetric & Cost Reporting (V&CR) is the Front Line of contact for inquiries relating to volumetric and cost reporting as well as gas royalty calculation processes. V&CR is made up of three teams as shown below:

Team	Team Lead
Volumetrics	Nicole Karpan
Costs	Sheruna Naidoo
Process Support	Penny Calen

Gas Royalty Voicemail: 780-422-8727
Fax: 780-427-3334
Alberta Toll Free: 310-0000
Gas Royalty Email: VCR@gov.ab.ca

Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.

Management Information

All inquiries or requests that relate to royalty information (e.g. Information Letter, Information Bulletin and other Department of Energy's Natural Gas website publications) and questions related to Commercial Storage, Soldier Settlement, and Farm Gas should be forwarded to the Management Information Team at ManagementInformation.Energy@gov.ab.ca.

Gas Royalty Accounting

All inquiries or requests that relate to royalty accounting (e.g. Transfers, Refunds, Interest, Statement of Account, Collections and Royalty Deposits) should be forwarded to the Royalty Accounting Team at GasRoyaltyAccounts.Energy@gov.ab.ca.

Gas Royalty Features

All inquiries or requests that relate to royalty programs (e.g. Natural Gas Deep Drilling Program, New Well Royalty Rates and Otherwise Flared Solution Gas Royalty Waiver Program) should be forward to the Royalty Features team at GasRoyaltyPrograms@gov.ab.ca.

Freehold Mineral Tax

All inquiries or requests that relate to Freehold Mineral Tax (FMT) (e.g. Recalculation of Tax, Notice of Objections, Electronic Transfer System (ETS), inquires for FMT, Freehold Role transfers, Unit Value Submissions, Title Transfers, Mineral Tax Redemption Act (MTRA), EOR on Freehold Lands) should be forwarded to the FMT Help Desk at Mintax.Energy@gov.ab.ca.

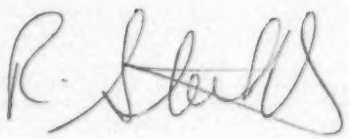
Reference Prices and Valuation Allowances Calculation Information

For information related to Natural Gas and Natural Gas Liquids reference prices, and Sulphur valuation submissions (VA3 and VA4), contact the Pricing & Analysis Team located at the Alberta Energy office in Calgary:

Pricing & Analysis
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone: 403-297-5514
Fax: 403-297-5400
Email: GasValuation.Energy@gov.ab.ca

Alberta Energy Internet Webpage

Prices, Royalty Rates and Transportation Information are available on the Alberta Energy Internet webpage: www.energy.alberta.ca. From "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", and "Alberta Natural Gas Reference Price (ARP)". In addition, both the Gas Royalty Information Bulletins and Information Letters are also available under "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".



Richard Stokl
Director, Gas Royalty Operations
Royalty Operation

ATTACHMENT TO INFORMATION LETTER 2017-14

2017 GAS AND ISC PRICES

Month	Gas Reference Price ($/GJ)	Methane ISC Reference Price ($/GJ)	Methane ISC Par Price ($/GJ)	Ethane ISC Reference Price ($/GJ)	Ethane ISC Par Price ($/GJ)	Propane ISC Reference Price ($/GJ)	Butanes ISC Reference Price ($/GJ)	Pentanes Plus ISC Reference Price ($/GJ)
JAN	2.86	2.86	2.86	2.86	2.86	2.86	2.86	2.86
FEB	2.39	2.39	2.39	2.39	2.39	2.39	2.39	2.39
MAR								
APR								
MAY								
JUN								
JUL								
AUG								
SEP								
OCT								
NOV								
DEC								

DETAIL OF THE FEBRUARY 2017 GAS AND ISC REFERENCE PRICES						
	Gas	**Methane**	**C2-IC**	**C3-IC**	**C4-IC**	**C5-IC**
NOVA Inventory Transfer (NIT) Purchase Price - Alberta Market Price (AMP) from NGX	2.638	2.638	2.638	2.638	2.638	2.638
Deductions: Intra-Alberta Transportation (IATD)	0.204	0.204	0.204	0.204	0.204	0.204
Price Before Pipeline Factor	2.434	2.434	2.434	2.434	2.434	2.434
Pipeline Fuel/Loss Factor	0.983	0.983	0.983	0.983	0.983	0.983
Price Before Amendments	2.392	2.392	2.392	2.392	2.392	2.392
Amendments:						
Prior Period RP Amendments	0.000	0.000	0.000	0.000	0.000	0.000
Special amendments	0.000	0.000	0.000	0.000	0.000	0.000
Calculated RP	2.392	2.392	2.392	2.392	2.392	2.392
Reference Price	**2.390**	**2.390**	**2.390**	**2.390**	**2.390**	**2.390**
Adjusted Intra-Alberta Transportation Deduction	0.200	0.200	0.200	0.200	0.200	0.200

ATTACHMENT 1A

ATTACHMENT TO INFORMATION LETTER 2017-14

2017

NATURAL GAS LIQUIDS REFERENCE PRICES

Month	Ethane Reference Price($/GJ)	Ethane Par Price($/GJ)	Propane Spec Reference Price($/m³)	Butanes Spec Reference Price($/m³)	Pentanes Plus Spec Reference Price($/m³)	Pentanes Plus Par Price($/m³)	Propane Mix Reference Price($/m³)	Butanes Mix Reference Price($/m³)	Pentanes Plus Mix Reference Price($/m³)
January	2.86	2.86	179.59	275.60	408.94	408.94	123.34	198.72	408.96
February	2.39	2.39	165.56	294.98	423.84	423.84	110.51	197.40	421.16
March									
April									
May									
June									
July									
August									
September									
October									
November									
December									

Note:

1) Effective July 2014, reference prices for Propane, Butanes and Pentanes Plus, as Spec and Mix, are calculated at field locations. See Information Letter 2013-35.

ATTACHMENT TO INFORMATION LETTER 2017-14

NATURAL GAS LIQUIDS REFERENCE PRICES
RESTATEMENTS

Restated Reference Prices

Monthly & Yearly Restated Reference Prices Comparison Report

The following prices are prescribed for the following business month(s):

No Restatement this month